The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA)

TEXAS

What MMA Means for Texas

Medicare modernization is a positive and much needed update to a health care program that helps millions of America's most vulnerable citizens. Medicare must evolve into the 21st Century and provide more choices and better benefits, particularly long-overdue prescription drug coverage, to its beneficiaries. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), as signed by the President on December 8, 2003, makes significant strides in updating the program to make the best use of today's modern health care delivery methods to maximize the benefits for current and future participants. Take a look at how Medicare modernization will affect Texas:

Impact of Prescription Drug Provisions

The prescription drug provisions in MMA provide great assistance to Medicare beneficiaries. Under MMA, Texas' Medicare beneficiaries will gain the following benefits:

- MMA provides all of the approximately 3 million beneficiaries in Texas with access to a Medicare prescription drug benefit – for the first time in the history of the Medicare program – beginning in January 2006.

- Beginning in 2006, MMA will give about 600,000 Medicare beneficiaries in Texas access to drug coverage they would not otherwise have and will improve coverage for many more.

- Within six months from December 8, 2003, Texas residents will be eligible for Medicare-approved prescription drug discount cards, which will provide them with savings of 10 to 15 percent off their total drug costs, with savings of up to 25 percent or more on individual prescriptions.

- Beneficiaries with incomes of less than 135% of poverty ($12,569 for individuals and $16,862 for couples in 2004) who lack prescription drug coverage (including drug coverage under Medicaid) will get up to $600 in annual assistance to help them afford their medicines, along with the discount card. That's a total of about $652 million in additional help for about 540,000 Texas residents in 2004 and 2005.

- Beginning in 2006, all of the approximately 3 million Medicare beneficiaries living in Texas will be eligible to get prescription drug coverage through a Medicare-approved plan. In exchange for a monthly premium of about $35, seniors who are now paying the full retail price for prescription drugs will be able to cut their drug costs roughly in half. In many cases, they'll save more than 50 percent on what they pay for their prescription medicines.

- About 860,000 beneficiaries in Texas who have limited savings and low incomes (generally below 135% of poverty, $12,569 for individuals and $16,862 for couples in 2004) will qualify for even more generous coverage. They will pay no premium for their prescription drug coverage, and they will be responsible for a nominal co-payment (no more than $2 for generic drugs or $5 for brand name drugs).

- About 190,000 additional low-income beneficiaries in Texas with limited savings and incomes below 150% of poverty ($13,965 for individuals and $18,735 for couples in 2004) will qualify for reduced premiums, a $50 deductible, 15% coinsurance, and no gaps in coverage.

- Additionally, Medicare, instead of Medicaid, will now assume the prescription drug costs of about 420,000 Texas beneficiaries who are dually eligible for both Medicare and Medicaid. These seniors generally will pay $1 for generic drugs or $3 for brand name drugs. Seniors in nursing homes will pay nothing. This will save Texas over $1.7 billion over 8 years on prescription drug coverage for its Medicaid population.

Impact of Competition

Under MMA, competition will be a two-pronged approach to provide more choices and better benefits. Medicare Advantage plans will operate on a local level similar to Medicare+Choice plans. However, Regional Medicare Advantage plans will be added to provide a more PPO-like option with guaranteed coverage across states.

- This is especially beneficial to states like Texas that saw an exodus of Medicare+Choice plans over the past few years.

- Under the Regional Medicare Advantage plan, all rural areas will be included in a regional market, and therefore guaranteed a Medicare Advantage plan option.

- Texas currently has seven organizations offering Medicare+Choice plans. However, under the model established in MMA, we expect Texas to maintain at least two Medicare Advantage plans at the regional level. There may be some additional plans operating at the local level.

Impact on Providers

Under MMA, Inpatient Prospective Payment System (IPPS) rates to hospitals will be adjusted to provide more equitable and appropriate payments for providers nationwide, which will ensure that providers continue to treat Medicare patients and, in turn, will ensure access to care for beneficiaries.

- Specifically, states with rural areas like Texas will benefit from the provision in Title IV that equalizes urban and rural standardized payment amounts under the Medicare Hospital IPPS because payment rates for rural hospitals will increase to match the highest payment rate for large urban hospitals.

- Additionally, the percentage of a hospital payment that is adjusted for local wage variations is being decreased to 62%. This benefits rural hospitals that generally have lower local wage levels.

- In Texas, these two provisions will add approximately $76.3 million for providers.

- In addition, MMA will reinstate the periodic interim payments for Critical Access Hospitals, eliminate the barrier for receiving the physician bonus, and authorize $35 million a year in Rural Flexibility Grants.

- MMA appropriates $250 million per year for FY 2005-2008 to pay hospitals, doctors, and ambulance services for their otherwise uncompensated costs of providing Federally-required emergency health care to undocumented aliens. Two-thirds of that amount will go to providers located in all 50 states and the District of Columbia, based on each State's percentage of the total number of undocumented aliens. The remaining one-third of the funding will go to providers in the six states with the largest number of undocumented alien apprehensions.

Impact on State Government

As previously noted, MMA will shift the prescription drug expenses for dual eligible Medicaid beneficiaries from the state to the federal government, providing relief to states.

- This shift comes in addition to the fiscal assistance given to states in the Jobs and Growth Tax Relief Reconciliation Act of 2003, which provided a temporary increase in the percentage rate for Federal Medicaid matching funds (FMAP) for five calendar quarters, beginning April 1, 2003 (the current quarter) and ending June 30, 2004.

- For Texas, the Jobs and Growth Act will result in a total of about $570 million in FMAP funds for calendar years 2003 and 2004.

Besides the aforementioned fiscal relief, MMA provides a temporary one-year 16% increase in DSH allotments for FY 2004 without regard to the 12% limit. Thereafter, allotments stay at the FY 2004 level subject to the 12% limit until the year in which current law "catches up" with the new proposal's allotments, at which point allotment levels are those of the previous year increased by CPI-U subject to the 12% limit. Allotments for certain extremely low DSH states would be increased by 16% for each of five years FY 2004 through FY 2008 at which point allotment levels would be those for the previous year increased by the CPI-U.

- This adjustment will result in an increase of about $420 million in the Federal allotment for Texas.

Impact on Medigap Insurance

MMA will also provide a "real" comprehensive prescription drug benefit to about 16,000 beneficiaries in Texas who have previously been purchasing a very modest benefit through the only Medigap plans available to them (H, I, and J).

- These individuals will be eligible for the new standard prescription drug benefit available to all Medicare beneficiaries with an actuarial value of $1,663.

- Of this total amount the Federal government will support 74 percent or $1,231.

Note: This summary reflects preliminary estimates as of December 8, 2003, and was developed for illustrative purposes only. Not all provisions or impacts were included.